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06-IEP-1K	
DATE	JUL 0 6 2007
RECD.	JUL 0 6 2007

July 6th, 2007

California Energy Commission
Docket Office
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

Attention: **Docket 06-IEP-1K - June 12th IEPR Cost of Generation Workshop**

Dear Docket Office:

Southern California Edison Company appreciates the opportunity to submit additional comments to the June 12th IEPR Cost of Generation Workshop. Previous comments were filed on June 29th.

Should you have any questions, please do not hesitate to contact me at (916) 441-2369.

Sincerely,

/s/ Manuel Alvarez
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SOUTHERN CALIFORNIA EDISON (SCE)
CALIFORNIA ENERGY COMMISSION (CEC) COMPARATIVE COSTS OF CALIFORNIA
CENTRAL STATION ELECTRICITY GENERATION TECHNOLOGIES REPORT
DRAFT STAFF REPORT & COST OF GENERATION MODEL COMMENTS
(Rev. 2, 07/05/2007)

Additional Comments on the Cost of Generation Model

Again, SCE wishes to compliment CEC Staff and all the contributors to the large undertaking of building the revised Cost of Generation model.

SCE supports Staff's choice of using recorded or peer-reviewed study information to "feed" the model whenever possible, as opposed to making a series of subjective modifications. For instance, it is impossible to know when, or if, the current run-up in primary materials costs (metals, concrete) will subside, and consequently, it is prudent to forecast current prices into the foreseeable future for existing generation technologies. Adjustments for escalation and technological improvement are relevant, again, if from peer-reviewed studies.

SCE recommends that a periodic update schedule to the model be used, rather than ad hoc adjustments. Ad hoc adjustments tend to favor or disfavor the adjustment being made while not reflecting updated information in other areas. As a consequence, the fairest footing for all data is a periodic (annual or semi-annual) schedule.

While SCE does not make specific empirical suggestions in the following areas, it does recommend that staff review its use of: 1) debt equivalence (reference for example MPUC Docket No. E-6472/M-05-1993) to assure that burden on the utility balance sheet of long term contracts is considered when comparing utility build vs. PPA, 2) debt-to-equity ratios, and 3) cost-of-debt and cost-of-equity. These are key economic assumptions and warrant special attention.

1. Detail comments

- a. INPUT-OUTPUT Sheet, KEY DATA VALUES Table, Capacity & Energy Summary, Etc.: For Combined Cycle Advanced (H Frame) Plant Type--when the Turbine Configuration is changed from 2 (default) to 1, there is no change to the power output numbers in the Capacity & Energy Summary, no change in Fuel Use, etc. The Levelized Costs, Instant Costs, Installed Costs, etc. change but the values are questionable since the Capacity does not change. Please review.